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C O N F I D E N T I A L SECTION 01 OF 02 NEW DELHI 002553

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SUBJECT: NEW CHAPTER IN INDO-NEPAL RELATIONS? REACTION TO  
PM DAHAL'S INDIA VISIT

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Classified By: Political Counselor Ted Osius for Reasons 1.4 (B, D)

11. (C) Summary: On his first official visit to India, Nepalese Prime Minister Pushpa Kamal Dahal declared that a new chapter in Indo-Nepal relations had begun. Press coverage of the visit was positive, filled with talk of change and hope for renewed, strengthened relations and cooperation. Interlocutors expressed optimism about the future of the Indo-Nepal relationship, calling the visit a "success" and noting the warmth and goodwill with which Dahal was received. In light of the changed circumstances of their nation's bilateral relations, Dahal and Prime Minister Singh agreed to review and update the 1950 Treaty of Peace and Friendship between India and Nepal, as well as other agreements. India pledged to move ahead with a major hydroelectric project in Nepal and to provide relief to the flood-stricken areas there. The leaders agreed to implement deeper bilateral economic and security cooperation. End Summary.

Open arms for Dahal

12. (C) Nepalese Prime Minister Pushpa Kamal Dahal, also known as "Prachanda," on September 18 concluded his five-day, official visit to India where he visited New Delhi and Bangalore. He was warmly welcomed in India and met with Prime Minister Singh, President Patil, Vice President Ansari, and Minister of External Affairs Mukherjee as well as Minister for Water Resources Saif-ud-din Soz and Lok Sabha opposition leader Lal Krishna Advani. Media reported that a lunch in Dahal's honor, hosted by the India-Nepal Parliamentary Friendship Forum, brought together in a spirit of camaraderie a broad group of prominent government members including leaders of parties not seen together since the controversial July trust vote in the Lok Sabha. Dahal interacted with Indian business interests in New Delhi and visited Bangalore, where he toured the ISRO Satellite Center and met with local business organizations. Dahal's visit to China, originally interpreted by many in New Delhi as a swipe at Delhi and a sign of Dahal's pro-Beijing leanings, was not raised during the visit and seems to be water under the bridge, with the GOI appearing eager to embark on a new phase with Nepal. Dahal characterized the visit as a success, hailing in a "new era" in Indo-Nepal relations.

Dahal ) rebel leader turned statesman

13. (C) Niranjan Koirala, nephew of former Nepal PM Koirala, told PolOff that he was impressed by Dahal's diplomatic performance in New Delhi, and that Dahal had said all the right things.8 Wing Commander V. Krishnappa, a Research Fellow at the Institute for Defense Studies and Analyses (IDSA) in New Delhi, told PolOff that Dahal is surprisingly good,8 and that he understands India.8 General Ashok Mehta told PolOffs that Dahal's success at moderating the divergent voices from his coalition government during the visit marked him a statesman, and no longer a rebel leader. He added however that India will judge the Maoists not by their words but by their deeds. The government of India will wait and watch,8 he said. India won't put all of the eggs in the Maoist basket, but is also engaging the Nepali Congress and the Madhesi parties. We will see how much of what he promises he can deliver.8 N. Koirala said he believes Dahal is committed to providing good political leadership for Nepal as a whole nation, but he still has concerns about the stability of the new government. He said that his uncle, former PM Koirala, still thinks the new government will fall due to divisions within the Maoist party, and hopes to run again as a consensus leader.8 N. Koirala told PolOff that even though he has supported the Maoists so far, he is getting worried due to their unpredictable behavior8 and uncertainty about the type of government they envision for Nepal. He added that this government was intended to be a constitutional assembly focused on drafting a new constitution, not adopting new legislation, and said the legislators are acting like they have a mandate they never earned. He expressed concern about the timeline for the constitution, saying that there are no emerging leaders in the opposition to press for its completion. However, he maintained that the people of Nepal

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had been fed up with former PM Koirala, and that the elections that brought the new government to power were fair and legitimate. Krishnappa told PolOff separately that the form of government that takes shape in Nepal is not important to India as long as it provides a stable environment for economic cooperation between the two countries.

Deliverables: treaty revision

14. (C) In his statements Dahal focused on the idea of a break with the past of Indo-Nepal relations and the beginning of a new chapter,8 primarily through revision of several major treaties that the Maoists have traditionally sought to scrap. During the visit, Prime Ministers Dahal and Singh agreed to review and revise the 1950 Treaty of Peace and Friendship and other agreements in light of changed realities8 in the bilateral relationship. Dahal hyped this commitment as a major step toward a new stage of relations in which Nepal would no longer be a little brother8 of India, but Niranjan Koirala told PolOff that he doesn't believe Dahal is serious about making major changes to the treaties, which provide Nepal with preferred status. This visit is about building relations. Talk of reviewing the treaties is for public consumption,8 he said. He speculated that India is willing to review the treaties and agreements, if it suits its economic interests, and said that Nepal might push for changes in the Treaty's sections on arms sales. Krishnappa also said that India is open to review of the treaties, to the extent that the revisions benefit India. Mehta cited the precedent India set recently in revising its treaty with Bhutan as evidence it will be willing to revise the India-Nepal Friendship Treaty, albeit with most of the changes non-substantive, cosmetic alterations to appease domestic constituencies.

Deliverables: economic cooperation

15. (C) The visit renewed energy for economic development between the two countries, with Dahal bullish in his public statements on Indian investment in Nepal and on mega projects

in infrastructure and hydroelectric power. One of the major deliverables emerging from this visit is a gesture of goodwill by the GOI; implementation of the Naumur Hydroelectric Project on the Rapti river. Koirala told PolOff that despite the talk of increased economic cooperation, there is less protection for Indian businesses in Nepal now than under the previous government and that he fears the emergence of crony capitalism there. He said, however, that among business people in Nepal Dahal's rhetoric of a new beginning is inspiring hope for change. Krishnappa was optimistic and told PolOff he foresees a trend of greater economic integration and investment between the two countries.

¶6. (U) Note: PolCouns will meet MEA Joint Secretary (North) Preeti Saran on September 24 for further discussion of Indo-Nepal realations. End Note.

Comment: off on the right foot  
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¶7. (C) Comment. Post believes that Indian officials and onlookers, all of whom were familiar with Prachanda-the-rebel-leader, were not surprised but nonetheless relieved to see Dahal-the-statesman arrive for this visit. Particularly following the perceived snub of Dahal's first visit abroad being to China rather than India, and amidst Dahal's calls for diplomatic equidistance from Beijing and New Delhi, there was concern in New Delhi about whether the "new era" Dahal was pushing for would be damaging to India-Nepal relations. Dahal's visit seems to have allayed those fears for the time being, as our interlocutors consistently described the goodwill generated by the message Dahal delivered here. As Mehta described, India will continue to watch Dahal closely and judge the new Nepalese government by its actions. There are many in New Delhi, including Mehta, who still believe the Nepalese Maoists' ultimate goal is a consolidated, one-party, Maoist government. Still, it is clear by the reaction from our contacts and the media in Delhi, the "new era" in India-Nepal relations got off on the right foot with this visit.

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